

CITY OF BANCROFT, IOWA
INDEPENDENT ACCOUNTANT'S AGREED UPON PROCEDURES REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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CITY OF BANCROFT, IOWA

OFFICIALS

June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Johnson	Mayor	December 31, 2015
Phil Jaren	Council Member	December 31, 2015
Robert Richter	Council Member	December 31, 2015
Jeremy Fraker	Council Member	December 31, 2017
Marty Miles	Council Member	December 31, 2017
Corey Rasch	Council Member	December 31, 2017
Crysti Neuman	Director/Clerk/Clerk	Indefinite
Scott Buchanan	Attorney	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Accountant's Agreed Upon Procedures Report

To the Honorable Mayor
and Members of City Council:

We have performed the following agreed upon procedures for the City of Bancroft, Iowa pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Bancroft, Iowa for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

General Planning

1. We reviewed the City Council meeting minutes for the year ended June 30, 2013 and performed additional testing for the dates of 8/13/12, 11/12/12, 3/11/13 and 4/8/13. The selected council minutes for the meetings listed above documented that the City complied with Chapters 21, 372.13(6) and 380 of the Code of Iowa per the following:

The minutes were properly signed as required by Chapter 380.7 of the Code of Iowa. Per Chapter 21.4, meetings must be preceded by proper notice. Nothing was noted indicating a notice violation occurred. The minutes showed information sufficient to indicate the vote of each member present. One out of the four dates selected for testing approved ordinances, which were passed by the majority vote of all the members of the City Council. There were no closed sessions on the dates selected for testing. Minutes were published (or posted) within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa.

We noted however that a summary of receipts was not published with the council meeting minutes.

Condition: Iowa Code Chapter 372.16 requires a summary of all receipts be published.

Cause: The City Director/Clerk was not aware that this summary was required.

Effect: The City did not comply with Chapter 372.16 of the Code of Iowa with respect to publishing receipts.

Recommendation: The City should begin publishing receipts with the council minutes immediately.

Response: We will publish a summary of our receipts.

Conclusion: Response accepted.

2. We requested the City Director/Clerk complete an internal control checklist. The City Director/Clerk completed an internal control checklist. We noted an incompatible segregation of duties.

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted the same person performs most of the accounting functions.

Cause – The City of Bancroft is not large entity; therefore their staff includes a small number of office employees.

Effect – The lack of proper segregation of duties is a material weakness that may result in a material misstatement of the financial statements, and provides greater opportunity for fraudulent activity to go undetected.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – This is difficult with the minimal number of staff but we will continue to work on better segregation of duties.

Conclusion – Response accepted.

3. We obtained a copy of the City's June 30, 2013 financial statements. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa. No noncompliance was noted.

Cash and Investments

4. We requested a copy of the Clerk's report for the month ended March 31, 2013. The clerk's report did not provide month end fund balances to trace to the general ledger.

Condition: A monthly clerk's report with beginning and ending fund balances allows the council to see on a regular basis the trends, by fund of each fund's financial situation.

Cause: The council never requested such a report and therefore it was not provided.

Effect: The council lacked information on a monthly basis to see what, of the cash on hand, was available to be spent.

Recommendation: We recommend that a clerk's report with beginning and ending fund balances along with cash receipts and disbursements be provided to the City council.

Response: We will implement your recommendation.

Conclusion: Response accepted.

5. The City has seven bank accounts accounted for in City hall plus an additional three accounts for the Library (the Library's accounting is decentralized). For each bank account, we verified the City performed monthly bank reconciliations.

For the City's seven accounts, the bank reconciliation and the fund balance sheet did not agree for nine dates selected. We also noted that on eighteen of the reconciliations completed, interest earned was not considered.

The Library completed monthly bank reconciliations for each of its three accounts. These reconciliations were presented to the City Council on a monthly basis.

We selected two months, October 2012 and February 2013, for additional testing. We vouched reconciling items to support, footed the bank reconciliations and obtained a list of outstanding checks at the end of both months selected and verified checks cleared the bank after the fact. We were unable to trace the reconciled balances for October and February to monthly reports provided to the City Council, because as noted in #4 above, only monthly cash receipts and disbursements were provided to the City council. We were able to trace the balances to the City's general ledger for the months selected.

The bank reconciliations are not reviewed by an independent person.

Condition: Each month the bank reconciliations should be balanced to the general ledger with any variances investigated and corrected.

Cause: The City's regular procedures never caused the bank reconciliations to be reviewed for accuracy and timeliness.

Effect: The City's June 30, 2013 general ledger was not able to be balanced until nearly December 1, 2013.

Recommendation: The City Director/Clerk should perform and document a review of the bank reconciliation and verify that they have been completed accurately and in a timely manner.

Response: We will perform the reviews you suggest.

Conclusion: Response accepted.

6. We reviewed compliance with the Code of Iowa relating to the following: Chapters 12C.2, which determined a depository resolution was approved by the board on 1/14/13, Chapter 12B.10B, which determined the City had adopted a written investment policy and Chapter 556.1(12), which determined unclaimed property was reported to the State Treasurer annually before November 1. No noncompliance noted.
7. The City did not have any investments.

Long Term Debt

8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for. No new debt was issued during the year. No noncompliance was noted.

Tax Increment Financing

9. We determined that tax increment financing (TIF) collections were properly recorded in a separate Special Revenue Fund.
10. We determined that disbursements from the fund were for TIF obligations that qualify for payment from the TIF collections.
11. We obtained City TIF Form 1 and City TIF Form 1.1 filed by the City in November 2012.

We determined that out of \$87,172 of TIF debt that was certified on the forms, \$857 was not qualified to be certified.

Condition: In order to be certified TIF debt must be 1) for a program in the urban renewal area 2) for an activity covered in the allowable list in Iowa Code Chapter 403(6) and 403(12) 3) a project covered by the plan and 4) must further the goals of the plan.

Cause: A proper tracking of previously certified TIF debt was not completed accurately.

Effect: Debt, which was not allowed to be certified, was included on the form. It also caused the City to file TIF Form 3 to decertify debt that was previously certified inaccurately.

Recommendation: Continue the work you have started to correct the TIF tax receipts and projects.

Response: We have reconciled our TIF projects, debt, and collections and made necessary corrections and filed the appropriate decertification forms.

Conclusion: Response accepted.

12. We obtained the Annual Urban Renewal Report filed for the year ended June 30, 2012. The Annual Urban Renewal Report was not filed by the due date December 1, 2012. The amounts reported on the Levy Authority Summary did not agree with the City's records and did not reflect the certified or certifiable debt for the City. We did note that rebate agreements were properly included as projects on the report.

Condition: Chapter 384.22 of the Code of Iowa requires that the Annual Urban Renewal Report be filed with the State of Iowa by December 1 of each year. The City's report was not filed by the due date December 1, 2012. The amounts reported on the Levy Authority Summary did not agree with the City's records and did not reflect the certified or certifiable debt for the City.

Cause: There was turnover in City management during the fall of 2012 and the report deadline was inadvertently missed. Also, the new City Director/Clerk was not familiar enough with the City's TIF projects to accurately complete the report.

Effect: The City did not comply with Iowa Code chapter 384.22 with respect to the Annual Urban Renewal Report.

Recommendation: Every effort should be made to file required reports in a timely manner. The City should also take steps to ensure that reports that are filed are accurate.

Response: We have reconciled our TIF projects, debt, and collections and made necessary corrections and filed the appropriate decertification forms. We filed the Annual Urban Renewal Report for the year ended June 30, 2013 in a timely manner and made the necessary corrections.

Conclusion: Response accepted.

Fund Balance

13. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for. In addition, we selected specific journal

entries and determined they were reasonable and were supported. However, there was no documented evidence the entries were approved by an independent person.

Condition: Journal entries were posted to the general ledger, however documented evidence of an independent approval of the entries was not available.

Cause: The City Director/Clerk was involved with the recording of the entries and did not feel additional oversight was necessary.

Effect: The City's internal control over journal entries was not secure.

Recommendation: The City should document the approval of journal entries in the future.

Response: We will document the approval of journal entries in the future.

Conclusion: Response accepted.

14. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

We noted the beginning and ending fund balances were reported accurately by comparing AFR to City's general ledger. In addition, we noted RUT transactions were reported accurately in the Special Revenue Fund. However, total receipts and disbursements did not balance to the cash basis revenue and expense report provided to us by the City.

Condition: The City's receipts and disbursement reports should reconcile to the Annual Financial Report.

Cause: Because the library accounting is added in total at the end of the year, the regular reports from the City do not reflect the total receipts and disbursements accurately.

Effect: Receipts and disbursements cannot be reconciled in total with the records on file at the City.

Recommendation: The City should consider centralizing the library's accounting with all other City accounting and balancing fund balance month to month.

Response: We will consider incorporating the library's accounting with the City's regular accounting and will start reconciling fund balance month to month.

Conclusion: Response accepted.

15. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.

We obtained a list of all fund transfers during the year and reviewed transfers for propriety and determined transfers were recorded in the proper fund, however, they were not budgeted nor were they approved individually.

Condition – Transfers should be specifically approved either in the budget or at a council meeting and documented in the minutes.

Cause – Client was not aware that the transfers had to be budgeted.

Effect – The City had unapproved transfers and that could lead to transfers of restricted

resources to an unrestricted fund.

Recommendation – The City should approve transfers in the future either in the City’s budget or at a Council meeting.

Response – We will approve transfers in the future in accordance with your recommendation.

Conclusion – Response accepted.

Receipts

16. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
17. For the month of March 2013 we reconciled the deposits made in the bank to the receipts reported on the City’s general ledger. No variance noted.
18. We verified the electronic deposit of 12 property tax payments for fiscal year 2013. We traced the positing of the property tax receipts for the month of March 2013 to the general ledger with no exceptions noted. We also totaled all property tax collections for Fiscal year 2013 and traced to the budget for reasonableness, no exceptions noted.
19. We confirmed the City’s library grant revenue, liquor license revenue, road use tax, and local option sales tax revenue without exception with the State of Iowa.
20. We determined that a delinquent account list was maintained for the City’s utility accounts. We determined that a monthly reconciliation of billings and collections was not available for review. We compared the amounts billed per the billing register for the water and sewer funds for the year to the amount collected and reported in the general ledger. The billings reconciled with the general ledger as documented in the chart below.

	Water	Sewer
Billings per Billing register	\$145,827	\$161,868
Variance to General ledger	-227	-392
Collections per General Ledger	\$145,600	161,476

21. We scanned monthly bank statements for unusual deposits. Two were identified, but we noted both were supported by documentation. In addition, we scanned deposit tickets and evaluated the reasonableness of amounts of currency deposited, considering the types of receipts expected to be received in currency. None were noted.

Disbursements

22. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

We scanned all cancelled checks/images looking for checks to City personnel, unusual vendors and “cash”. None were noted. In addition, we examined checks payable to the City Director/Clerk and other personnel authorized to issue/sign checks and reviewed the amount and frequency of the checks and determined that checks were appropriate.

We selected five consecutive checks from alternating months and verified disbursements were adequately supported, by tracing to an invoice with the check stub attached and marked as paid. We also verified amount and payee on the check and matched it to the general ledger by tracing it to the transaction register. Disbursements appeared to meet the test for public purposes.

We noted the City had two related party transactions during the year. Per Chapter 362.5 of the Code of Iowa, total transactions must not exceed \$2,500. We noted one of the related parties was over the limit and as such, did not comply with the Code.

Condition – Chapter 362.5(10) of the Code of Iowa prohibits any City officer or employee from having a contract or job of work with the City. Exceptions are made to the regulation if the total annual purchase is less than \$2,500, or if the work was contracted under a competitive bid. The City made purchases from Nancy Shillington during the year that totaled \$4,143 for various supplies.

Cause – The City was not aware of the statutory limit and wanted to keep its business local.

Effect – The City did not comply with Chapter 362.5 of the Code of Iowa.

Recommendation – Please discuss this with your attorney to resolve the issue.

Response – We will discuss this with our attorney.

Conclusion – Response accepted.

23. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

We selected five payroll transactions and verified authorization for gross pay and hourly rate per Resolution 2012-07-01. We traced approval of hours worked to timecards. In addition, we verified accuracy of the number of hours paid per the payroll journal to hours worked per the approved timecards. No exceptions were noted.

24. We reviewed the budget v actual comparisons of the City’s disbursements. No violations of the budgeted limits were noted.

We were not engaged to and did not conduct an audit of the operations of the City of Bancroft, Iowa, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City’s financial statements. Had we performed additional procedures, or had we performed an audit of the City of Bancroft, Iowa, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bancroft, Iowa and other parties to whom the City of Bancroft, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bancroft, Iowa during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

February 25, 2014